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CLARK COUNTY
WASHINGTON

AUDITOR
GREG KIMSEY

Clark County Cash Handling Reviews

Clark County, Washington

For the Years 2001 -- 2002

Prepared by
Clark County Auditor's Office
Report # IC02-3

October 30, 2002

INTERNAL AUDIT DEPARTMENT
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AUDITOR
GREG KIMSEY

Date: November 6, 2002

To: Clark County Board of Commissioners
Bill Baron, Clark County Executive
Greg Kimsey, Clark County Auditor
John Ingram, Clark County Finance Director

We are pleased to provide you with the attached copy of our Clark County Cash Handling Reviews, 2001-2002 report, which has been prepared to inform you of the cash handling reviews performed by the Internal Audit Department during the course of the last two calendar years – 2001 to 2002. These reviews are conducted to help safeguard County assets and to educate management and staff on the importance of internal controls around cash and cash equivalents. Our work is supplemented by that performed by the State Auditor's Office and by staff in County Departments that routinely review their own cash handling functions.

The Internal Audit Department schedules cash reviews of County department cash handling and cash receipting functions based on an evaluation of risk. This evaluation includes information related to department operations, along with any concerns that have been expressed by management or our external auditors. This evaluation directs our efforts in this regard. In some instances, County departments routinely review their own cash receipting functions and share that information with Internal Audit. In addition, the State Auditor's Office routinely performs cash reviews as part of their audit work, and shares results with our office.

The Exhibit attached to this report is a summarization of some of the information used in our evaluation and displays the results of the work we are currently reporting on.

If you have any questions, please contact Paul Harris, Internal Audit Department at extension 4707.

Internal Audit

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CLARK COUNTY CASH HANDLING REVIEWS 2001-2002

Audit Report # IC02-3

Date October 30, 2002

Clark County Cash Handling Reviews 2001-2002

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Introduction

In accordance with the audit work plan we have completed our review of selected petty cash funds, change funds, and checking accounts in County departments for 2001 and 2002. Our work also included a limited review of the controls associated with processing and depositing payments received at various County departments. The reviews were completed over the course of two years and are part of our broader effort to work with County managers to strengthen internal controls over the management of public funds.

Background

Clark County and its closely affiliated agencies have a total of twelve petty cash funds, nineteen change funds, thirteen checking accounts, and twenty-six areas that receive payments. Employees located in various facilities throughout the County manage these seventy areas. We completed a total of fifteen reviews and the State Auditors completed ten reviews in 2001/2002. This includes five petty cash funds, twelve change funds, four checking accounts, and four areas that receive payments. These areas were selected based on the date of last review, the number of prior recommendations, and the perceived level of risk. Our work focused on reviewing procedures and practices that help ensure the funds are properly safeguarded and accounted for and that transactions are approved and records maintained which adequately support the administration and activity within the fund. A summary of our reviews and recommendations by account is listed in the attached exhibit.

Cash Reviews Based on Risk Analysis

The Internal Audit Department schedules cash reviews of County department cash handling and cash receipting functions based on an evaluation of risk. The risk evaluation includes the

- Date and nature of the last review;
- Findings from the last review;
- Financial exposure (cash balance in the account);
- Type of fund or account; and
- Fund status (e.g. whether the account is new).

A review of these factors, plus information that comes into the office related to department operations and any concerns expressed by management or external auditors, allow us to determine where to concentrate our efforts. In some instances, County department staffs are routinely reviewing their own cash receipting functions and sharing that information with Internal Audit. The State Auditor's Office routinely performs cash reviews and shares their results with our office.

The Exhibit attached to this report is a summarization of some of the information used in our evaluation and displays the results of the work we are currently reporting on.

Cash Reviews

The cash reviews consist of the following:

- Reviewing department procedures.
- Observing cash transactions.
- Reviewing staff report that authorizes the cash amount.
- Reviewing prior internal control issues.
- Counting the department cash in presence of cashier.
- Completing the cash count sheet.
- Completing an internal control questionnaire.
- Preparing a memo to the department containing review results and any suggestions for corrective action.

Review Findings and Recommendations

During the review work performed we made several suggestions for corrective action. In some cases, we found processes were not routinely followed. Some internal controls, such as the need for separation of duties, were not in place. We did not find any major problems during the course of the work.

Our findings and recommendations, by type of fund, are shown below.

Petty Cash Funds

- Invoices attached to sign-out slips had not been canceled to prevent reuse. **We recommend** that the administrator indicate on reimbursed receipts and/or invoices that they have been paid, noting the date paid and the initials of the person authorizing the transaction.
- Petty cash receipts that date back to previous year. **We recommend** funds be replenished at least annually, if not monthly, so expenses are recorded in the proper period. Replenishing the petty cash funds is a standard accounting procedure that properly places expenditures.
- The cash box containing the petty cash fund also contained other monies. **We recommend** that any money other than the petty cash be placed in another secured container and location. This will control the appearance of co-mingling personal money with County money.

Change Funds and Checking Accounts

- Not all receipts issued indicate mode of payment (Cash/Check). **We recommend** that all receipts indicate whether cash or check was accepted as payment. This control feature helps detect cash and check manipulation when compared/reconciled to the deposit sheet/slip/Treasurer's Receipt.
- One employee is able to issue checks, update the records and perform the bank reconciliation. **We recommend** a separation of duties for this employee. When one person handles a transaction from beginning to end there is the opportunity to hide irregularities. If the department has a small staff, **we recommend** that someone from another department perform some part of the transaction so any irregularities can be detected in a timely manner.

Other Types of Cash Transactions

- Money provided to employees for specific activities is not returned in a timely fashion. This could be viewed as providing employees with a loan of public funds. **We recommend** that a policy is needed and employees need to be aware that either a receipt for expenditure or the money needs to be returned to the department custodian within a reasonable time. By having this policy, it will help prevent the appearance that money was either loaned to the employee or that there is a lack of accountability for public funds.
- The sign-out slips used to provide money to employees are not signed and dated with the signature and date of the authorizing custodian and the employee receiving the money. **We recommend** that all sign-out slips be signed and dated by the authorized custodian/manager and the employee receiving the money. The returned money should be counted by the custodian/manager receiving the money and the slip should be signed and dated by both the custodian/manager and the employee returning the money. This will help assign responsibility for the money and the date the transactions took place.

Management Responses Indicate Improvements

After a review is performed, the Audit Department prepares and sends memos to the managers of the departments to alert them to our findings and recommendations. We anticipate that management will respond by telling us how and when the issues will be corrected. The management response is kept on file along with the original memo sent by Internal Audit.

An example of improved operations is the procedures used to train the ticket sellers at the County Fair. Each year, the Audit department attends the briefing of the ticket sellers before the fair opens. At the briefing the ticket sellers are provided procedures

for handling their money and tickets. In 2001, we found the procedures to be rambling and unclear; they seemed to lack a logical flow. We provided fair management with suggestions for organizing the procedures and in the following year we found the procedures were presented in a logical order which made the handling of cash and responsibilities much clearer for the ticket sellers.

Department Involvement

As a result of the Internal Audit Department's continued review of internal controls over County assets, various department managers have begun to perform surprise cash counts and internal control reviews on their own departments, providing documentation to Internal Audit for review. This work is subsequently factored into the risk analysis, allowing Internal Audit to better cover other areas of cash receipting within the County. This is also the case for work performed by the State Auditor's Office, wherein both the State and Internal Audit coordinate the areas reviewed and to be reviewed, which results in more comprehensive coverage.

The following Departments have provided information to Internal Audit to document their own cash and cash handling reviews:

- The Department of Community Development (Permitting Cashiers Downtown and Battle Ground)
- The Sheriff's Fiscal Office (Drug and Gang Task Force, and Informant Fund)
- Public Works (Petty Cash at 78th Operations)

We appreciate the efforts of these staff and commend the Department managers for setting a positive and supportive example.

Training Offered

Every year during the Washington State Auditor's Office audit of the County, the Internal Audit Department becomes involved with any internal control issues that arise from the audit, with the goal of helping departments resolve these issues. One way the Internal Audit Department has found to help curb the instances of internal control issues is by offering an annual *Internal Control Seminar* for all County managers.

This seminar is a half-day event, put on by the Washington State Auditor's Office fraud expert. Internal controls and the reason why these controls are needed are discussed. Examples of problems other jurisdictions have experienced are used to help demonstrate the need for management to establish and monitor internal controls as the principle way to control the risk of County assets being misused.

This seminar is free to all managers and continuing education credits can be earned. The Internal Audit Department encourages all managers to attend this seminar. This year it will be held on November 22 from 8:30 a.m. to 12:30 p.m. in the CRESA conference room at 710 West 13th Street, Vancouver, Washington.

The Internal Audit Department also has provided cash handling training to departments. We put on specific training for the Department of Community Development in 2001 and have plans to provide similar training for other departments later this year. If a department is interested in having such training, designed for their particular needs, they can contact either Paul Harris or Linda Bade.

Conclusion

In conclusion, one of the goals of the Internal Audit Department is to help safeguard County assets by making sure that management has established a good internal control structure as well as policies and procedures that communicate this internal control structure to staff. One of the ways we can do this is through the annual Internal Control Seminar and the individual department cash handling training. In addition, the Internal Audit Department staff will continue to perform surprise visits to departments to review and test their procedures and internal controls and where necessary recommend steps to correct any issues detected.

We want to take this opportunity to thank all the department managers and staff for making our reviews as quick and painless as possible.

If you have any questions please contact Paul Harris on ext. 4707 or Linda Bade on ext. 4790.

EXHIBIT

DEPARTMENTS AND RECOMMENDATIONS

Department (1)	Type of fund (2)	Extended cash receipt testwork	No testwork in 2001/02	Reviewed by State Auditors in 2001/02	No recommendations	RECOMMENDATIONS (3)													
						Develop written procedures	Reconcile cash & check composition	Reconcile & replenish fund according to BARS	Make deposits in accordance with BARS	Management review of deposits	Secure fund and/or related records	Cancel receipts to prevent reuse	Separate key duties	Endorse checks when received	Refund due to Treasurer	Review sequence of issued receipts	Review voided transactions	Other	
Assessment & GIS	CH									<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Auditor - Accounting	CH			<input checked="" type="checkbox"/>															
Auditor - Accounting	CK			<input checked="" type="checkbox"/>															
Auditor - Auto License	CH			<input checked="" type="checkbox"/>															
Auditor - Elections	CH	<input checked="" type="checkbox"/>																	
Auditor - Rec. & Marriage License.	CH			<input checked="" type="checkbox"/>															
Auditor - Rec. & Marriage License.	CK	<input checked="" type="checkbox"/>																	
Boundary Review Board		<input checked="" type="checkbox"/>																	
Child Abuse Intervention Center		<input checked="" type="checkbox"/>																	
Clark County Fair	CH					<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>							<input checked="" type="checkbox"/>	
Clark County Fair - non fair activities	CH	<input checked="" type="checkbox"/>																	
Clerk	CH	<input checked="" type="checkbox"/>																	
Clerk Trust Account	CK	<input checked="" type="checkbox"/>																	
Co-op Extension	CH	<input checked="" type="checkbox"/>																	
Co-op Extension	PC	<input checked="" type="checkbox"/>																	
Co-op Extension	CK	<input checked="" type="checkbox"/>																	
Comm Dev - Animal Protection	CH	<input checked="" type="checkbox"/>																	
Comm Dev - No. Co. Resource Ctr	CH				<input checked="" type="checkbox"/>														
Comm Dev. - Planning & Code	CH			<input checked="" type="checkbox"/>															
Community Development	PC	<input checked="" type="checkbox"/>																	
Commissioners		<input checked="" type="checkbox"/>																	
Coroner	PC	<input checked="" type="checkbox"/>																	
Corrections - LEC	CH			<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								<input checked="" type="checkbox"/>	
Corrections Employment	PC	<input checked="" type="checkbox"/>																	
Corrections Mabry	CH	<input checked="" type="checkbox"/>																	
DCS - Grants		<input checked="" type="checkbox"/>																	
DCS - Loans		<input checked="" type="checkbox"/>																	
DCS - No. Co. Resource Ctr		<input checked="" type="checkbox"/>																	
District Court - Camas	CH			<input checked="" type="checkbox"/>															
District Court - Camas	CK			<input checked="" type="checkbox"/>															
District Court - Downtown	CH	<input checked="" type="checkbox"/>																	
Drug Task Force -Drug Buy Fund							<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>							
Drug Task Force - Car Fund	CK	<input checked="" type="checkbox"/>																	
Drug Task Force - Petty Cash Fund	PC	<input checked="" type="checkbox"/>																	
Facilities Management		<input checked="" type="checkbox"/>																	
GRI - Tri Mtn Golf Course		<input checked="" type="checkbox"/>																	
Human Resources		<input checked="" type="checkbox"/>																	
Juvenile Court	PC			<input checked="" type="checkbox"/>															
Juvenile Diversion	CH	<input checked="" type="checkbox"/>																	
Prosecuting Attorney (PA)	CK	<input checked="" type="checkbox"/>																	
PA - Adult Diversion	CK	<input checked="" type="checkbox"/>																	
PA - NSF Diversion	CK	<input checked="" type="checkbox"/>																	

EXHIBIT

DEPARTMENTS AND RECOMMENDATIONS

Department (1)	Type of fund (2)	Extended cash receipt testwork	No testwork in 2001/02	Reviewed by State Auditors in 2001/02	No recommendations	RECOMMENDATIONS (3)												
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Parks - Downtown receipts			<input checked="" type="checkbox"/>															
Parks - Frenchmans Bar Park																		<input checked="" type="checkbox"/>
Parks - Lewisville Park			<input checked="" type="checkbox"/>															
Parks - Salmon Creek Park			<input checked="" type="checkbox"/>															
Parks - Vancouver Lake Park																		<input checked="" type="checkbox"/>
Public Information Office	PC							<input checked="" type="checkbox"/>				R			<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Purchasing			<input checked="" type="checkbox"/>															
Public Works (PW) - Administration			<input checked="" type="checkbox"/>															
PW - Administration	PC		<input checked="" type="checkbox"/>															
PW - ER&R	PC																	<input checked="" type="checkbox"/>
PW - Operations Administration	PC				<input checked="" type="checkbox"/>													
PW - Real Property Services			<input checked="" type="checkbox"/>															
PW - Road Permits	CH		<input checked="" type="checkbox"/>															
PW - Sewer Treatment Plant	PC		<input checked="" type="checkbox"/>															
PW - Survey/Records	CH		<input checked="" type="checkbox"/>															
Risk Management - General Liability	CK	<input checked="" type="checkbox"/>											<input checked="" type="checkbox"/>					
Risk Management - Industrial Insurance	CK	<input checked="" type="checkbox"/>											<input checked="" type="checkbox"/>					
Sheriff - Bail and Fines			<input checked="" type="checkbox"/>															
Sheriff - Civil Records	CH		<input checked="" type="checkbox"/>															
Sheriff - Civil Records	CK		<input checked="" type="checkbox"/>															
Sheriff - DARE Program																		
Sheriff - Informant Fund	PC				<input checked="" type="checkbox"/>													
Sheriff - Inmate Trust Fund	CK		<input checked="" type="checkbox"/>															
Sheriff - Sex Offender Registration			<input checked="" type="checkbox"/>															
Sheriff - Shooting Range			<input checked="" type="checkbox"/>															
Sheriff - Work Release	CH				<input checked="" type="checkbox"/>													
Superior Court Administration			<input checked="" type="checkbox"/>															
Treasurer				<input checked="" type="checkbox"/>														
Treasurer - Change Machine	CH														<input checked="" type="checkbox"/>			
TOTALS		2	46	10	4	1	0	2	2	1	3	2	3	1	3	1	0	7
REPEAT RECOMMENDATIONS					0	0	0	0	0	0	0	1	0	0	0	0	0	0

Notes:

- (1) Those departments which were reviewed are presented in bold
- (2) PC - Petty Cash; CK - Checking Account; CH - Change Fund
- (3) R - Repeat Recommendation from 1997.